

**LEMON GROVE [SANITATION DISTRICT]  
AGENDA ITEM SUMMARY**

**Item No.** 1.E  
**Mtg. Date** December 20, 2016  
**Dept.** Public Works

**Item Title:** Amendment No. 3 to the Agreement with NBS Government Finance Group for the Sanitation District Rate Study

**Staff Contact:** [Mike James, Assistant City Manager / Public Works Director]

**Recommendation:**

Adopt a resolution (**Attachment B**) approving Amendment No. 3 to the agreement with NBS Government Finance Group for the Sanitation District Rate Study (Contract No. 2016-01).

**Item Summary:**

[On December 1, 2015, the District Board awarded an agreement for the sanitation district rate study to NBS Government Finance Group (NBS). The intent of this study was to calculate a minimum equivalent dwelling unit fee for Sanitation District (District) users based on all anticipated district expenditures for a five year period.

Since that meeting a number of external activities have prompted the District Board to amend the agreement two prior times. The staff report (**Attachment A**) outlines the reasons for prior amendments as well as describes why staff is returning with a third amendment for the District Board's review and approval. ] ]

**Fiscal Impact:**

If the amendment is approved, the agreement will increase by \$13,020.00 from \$43,405.27 to \$56,425.27. The funding source will continue to be from the Sanitation District Fund.

**Environmental Review:**

|   |   |
|---|---|
| <input checked="" type="checkbox"/> Not subject to review         | <input type="checkbox"/> Negative Declaration           |
| <input type="checkbox"/> Categorical Exemption, Section [       ] | <input type="checkbox"/> Mitigated Negative Declaration |

**Public Information:**

|  |   |   |
|--|---|---|
| <input checked="" type="checkbox"/> None                     | <input type="checkbox"/> Newsletter article   | <input type="checkbox"/> Notice to property owners within 300 ft. |
| <input type="checkbox"/> Notice published in local newspaper | <input type="checkbox"/> Neighborhood meeting |   |

**Attachments:**

- A. Staff Report
- B. Resolution



## LEMON GROVE SANITATION DISTRICT STAFF REPORT

Item No. 1.E

Mtg. Date December 20, 2016

Item Title: **[Amendment No. 3 to the Agreement with NBS Government Finance Group for the Sanitation District Rate Study]**

Staff Contact: [Mike James, Assistant City Manager / Public Works Director]

### Background:

[On December 1, 2015, the City Council awarded an agreement for the sanitation district rate study to NBS Government Finance Group (NBS). The intent of this study was to calculate a minimum equivalent dwelling unit fee for Sanitation District (District) users based on all anticipated district expenditures for a five year period.

Originally, NBS was expected to provide a five year rate study from Fiscal Year 2016/2017 to 2020/2021 before June 30, 2016. However, a number of external factors were revealed, discovered, and provided to District staff after the start of this rate study which prompted staff to recommend changes to the original agreement for the District Board (Board) to consider. Those factors are briefly listed below:

- Perform a connection fee analysis,
- Accelerated Pure Water program expenditures,
- Progress made on the Sewer System Master Plan update, and
- Review of applicable reserve funds to afford future uncertainties.

Due to the factors noted above, the District had to modify NBS' scope of services, with amendments, in order to research appropriate information, prepare applicable studies, and lastly, package the information into a final deliverable that the Board will use moving forward during the next five year period. Each amendment is summarized below:

1. Amendment No. 1: Approved on August 2, 2016, this amendment reduced the original scope of work while also including a connection fee analysis as a part of the five year rate study. This amendment reduced the agreement total to \$25,630.27 and maintained the term of the agreement through January 5, 2017.
2. Amendment No. 2: Approved on November 15, 2016, this amendment added work associated with noticing requirements to meet Proposition 218 as well as to attend and present the final rate study at two public meetings. This amendment increased the agreement total to \$43,405.27 and extended the agreement through June 30, 2017 in order to support the Proposition 218 process.

### Discussion:

During the November 15<sup>th</sup> Board meeting, the Board requested that staff research and provide additional information to the Board in order to make the most informed decision available for the next five year rate study. Those additional study components include:

1. Four Rate Increase Options: Discuss the following four options to increase rates during the rate study and which one is the most beneficial to the District's users.

# Attachment A

- a. Flat rate percentage increase for five years with a 40% district operational reserve level.
  - b. Flat rate percentage increase for five years with a 55% district operational reserve level.
  - c. Escalating rate structure increase for five years with a 40% district operational reserve level.
  - d. Escalating rate structure increase for five years with a 55% district operational reserve level.
2. Number, Amount, and Type of Cash Reserves: Fully review the four reserve funds presented and explain the significance of each, how much each should equal, and why each fund should have a minimum amount on hand. As a summary for this report, there were four reserve funds:
  - a. *Rate Stabilization Reserve*: Includes one year's worth of costs to transport and treatment wastewater from the District.
  - b. *District Operational Reserve*: Unforeseen expenditures that the District may see as a result of its operations or maintenance.
  - c. *Pure Water Reserve*: Specific savings that will fund the Pure Water program and the accelerated costs required by the City of San Diego.
  - d. *Capital Replacement Reserve*: Funds set aside to afford to pay-as-you-go for all capital improvement projects.
3. Duration: The rate study should span five years from Fiscal Year 2017/18 thru FY 2021/22.
4. Annual Capital Improvement Program (CIP): Using the most recent information from the Sewer System Master Plan update to program the latest capital improvement program needs in the next five year period.
5. Return of Unallocated Reserves: Any unallocated sanitation reserves should be returned to district rate users to lessen the burdened from the City of San Diego's accelerated Pure Water program.

In order to provide the most clarity and establish future expectations that the Board can anticipate moving forward, staff updated the rate study timeline and presented it below. Pending any unforeseen activities or Board requests to amend this timeline, staff will proceed with the actions listed below at each specific date.

- |                            |  |
|----------------------------|--|
| • <u>December 20, 2016</u> | Present Amendment No. 3 for approval.  |
| • <u>February 7, 2017</u>  | NBS to present the connection fee study, full five year rate study, and deliverables from the all amendments to the Board. |
| • <u>February 21, 2017</u> | <i>Additional Board meeting if needed.</i>   |
| • <u>March 4, 2017</u>     | No later than date to provide Prop. 218 notices to the District users.   |
| • <u>April 18, 2017</u>    | Board Meeting – Public hearing to introduce ordinance.   |
| • <u>May 2, 2017</u>       | Board Meeting – Second reading and adoption of ordinance.  |
| • <u>May 17, 2017</u>      | <i>Additional Board meeting if needed.</i>   |

## Attachment A

- June 2<sup>nd</sup> or 17<sup>th</sup> Rates approved via 30-days past the Ordinance adoption.
- July 1, 2017 No sooner than July 1<sup>st</sup> the new rates will take effect. ]

### Conclusion:

That the District Board adopts a resolution (**Attachment B**) approving Amendment No. 3 to the agreement with NBS Government Finance Group for the Sanitation District Rate Study (Contract No. 2016-01).



# Attachment B

## RESOLUTION NO. 2016 -

### RESOLUTION OF THE DISTRICT BOARD OF THE LEMON GROVE SANITATION DISTRICT APPROVING AMENDMENT NO. 3 TO THE AGREEMENT WITH NBS GOVERNMENT FINANCE GROUP FOR THE SANITATION DISTRICT RATE STUDY (CONTRACT NO. 2016-01)

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**WHEREAS**, on December 1, 2015, the District Board awarded an agreement for the sanitation district rate study to NBS Government Finance Group (NBS); and

**WHEREAS**, the intent of the study was to calculate a minimum equivalent dwelling unit fee for Sanitation District (District) users based on all anticipated district expenditures for a five year period; and

**WHEREAS**, since the original award of the agreement the Board amended the agreement twice to account for additional information emanating from external District activities that may increase the anticipated expenditures that the District will realize in the next five years; and

**WHEREAS**, on November 15, 2016, the Board directed staff work with NBS to return with options for the final rate study that may be selected to implement during five year period; and

**WHEREAS**, the final product of NBS Government Finance Group's will include a five year rate study, capital program funding allocation, capital project assessment, reserve fund analysis, and connection fee analysis that will better position the District to operate and maintain its level of service to the residents of Lemon Grove. ]

**NOW, THEREFORE, BE IT RESOLVED** that the District Board of the Lemon Grove Sanitation District hereby: ]

1. Approves Amendment No. 3 (*Attachment B - Exhibit 1*) to the agreement with NBS Government Finance Group; and
2. Establishes a budget not to exceed fifty-six thousand four hundred twenty-five dollars and twenty-seven cents (\$56,425.27); and
3. Authorizes the Executive Director, or her designee, to execute the agreement and manage all project correspondence.

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# Attachment B – Exhibit 1



32605 Temecula Parkway, Suite 100  
Temecula, CA 92592

Toll free: 800.676.7516 (P) 951.296.1997

[nbsgov.com](http://nbsgov.com)

December 6, 2016

Mike James  
Public Works Director  
**City of Lemon Grove**  
3232 Main Street  
Lemon Grove, CA 91945

**SUBJECT: CONTRACT AMENDMENT FOR ADDITIONAL SANITATION DISTRICT  
RATE STUDY SERVICES**

Dear Mr. James,

We appreciate the opportunity to continue providing Lemon Grove Sanitation District ("District") with Sanitation Rate Study Services. This letter agreement outlines the additional scope of work provided for this study based on our discussions with you, and provides the budget and contract mechanism necessary to approve these additional consulting services.

Once this amendment is approved, we will add this service to our existing agreements with the District. All other provisions of the existing contracts between the District and NBS remain in effect. We look forward to continuing our professional relationship. Please print two (2) copies of our Executed Agreement. Upon signing, please return one copy to the undersigned and keep one copy for your records. *(please mail to: NBS, 32605 Temecula Parkway, Suite 100, Temecula, CA 92592, Attn: Amanda Mitchell).*

## **Scope of Services**

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Lemon Grove Sanitation District originally retained NBS in December 2015 to conduct a Sewer Rate Study. NBS is in the process of completing the study and the District has requested that NBS provide additional services as follows:

1. Prepare additional sewer rate alternatives that reflect various levels of rate increases and reserve funding.
2. Attend and present at one (1) public meeting to review the new rate alternatives.

The proposed budget for the additional tasks is provided in the following section of this agreement. The scope of services outlined in the original proposal (dated October 29, 2015), Amendment No. 1 (dated August 19, 2016) and Amendment No. 2 (dated November 10, 2016) will remain unchanged.

helping communities fund tomorrow

# Attachment B – Exhibit 1

## Project Budget

The table below summarizes our budget for this additional scope of work. We will bill the District monthly for services completed. Any additional services authorized but not included in this study budget will be billed at the rates shown in the table below.

| Lemon Grove Sanitation District Sewer Rate Study<br>Proposed Contract Amendment - December 2016 |                              |                           |                                 |                        |                       |
|---|------------------------------|---------------------------|---------------------------------|------------------------|-----------------------|
| Rate Study Tasks  | Consultant Labor (Hours)     |                           |                                 | Grand Totals           |                       |
|   | Project Principal (Clumpner) | Project Manager (Boehler) | Consultants (Narayanan & Henry) | Consultant Labor (Hrs) | Consultant Costs (\$) |
| <b>Hourly Rate</b>  | <b>\$235</b>                 | <b>\$190</b>              | <b>\$150</b>                    |                        |                       |
| Task 1 - Additional Rate Alternatives   | -                            | 6.0                       | 12.0                            | 18.0                   | \$2,940               |
| Task 2 - Update Rate Study Memo   | 1.0                          | 6.0                       | 8.0                             | 15.0                   | \$2,575               |
| Task 3 - Public Presentation <sup>1</sup>   | 1.0                          | 8.0                       | -                               | 9.0                    | \$1,755               |
| Contingency for Additional Work <sup>2</sup>  | 2.0                          | 12.0                      | 20.0                            | 34.0                   | \$5,750               |
| <b>GRAND TOTAL NOT TO EXCEED</b>  | <b>4.0</b>                   | <b>32.0</b>               | <b>40.0</b>                     | <b>76.0</b>            | <b>\$13,020</b>       |

1. One public presentation will be provided to present the additional rate alternatives, as determined necessary by District staff.

2. Contingency for additional work will be used as needed, if additional alternatives are requested by District staff.

## Additional Services

The following table shows the hourly rates that will apply to this amendment and any additional services authorized but not included in the scope of services.

| Title                                   | Hourly Rate |
|---|-------------|
| Director (Clumpner)                     | \$235       |
| Associate Director (Boehler)            | \$190       |
| Consultants (Narayanan, Henry, Dayhoff) | \$150       |

## Terms

The same terms under the original contract will apply to these additional services: consulting fees will be invoiced on a monthly basis. Expenses will be included in each invoice. If the project is prematurely terminated by either party or delayed for reasons beyond NBS' control, NBS shall receive payment for work completed. Payment shall be made within 30 days of submittal of an invoice. If payment is not received within 90-days simple interest will begin to accrue at the rate of 1.5% per month.

## District's Responsibilities

The District shall furnish Consultant with any pertinent information that is available to the District and applicable to the Services. The District shall designate a person to act with authority on its behalf in respect to the Services. The District shall promptly respond to Consultant's requests for reviews and approvals of its work, and to its requests for decisions related to the Services. The District understands and agrees that Consultant is entitled to rely on all information, data and documents (collectively, "Information") supplied to Consultant by the District or any of its agents, contractors or proxies or obtained by Consultant from other usual and customary sources including other government sources or proxies as being accurate and correct.



# Attachment B – Exhibit 1

and Consultant will have no obligation to confirm that such Information is correct and that Consultant will have no liability to District or any third party if such information is not correct.

Please do not hesitate to contact Kim Boehler, our Project Manager, at either 951.233.7050 (cell), 800.676.7516 (office) or at [kboehler@nbsgov.com](mailto:kboehler@nbsgov.com) if you have any questions or concerns about this additional scope of work.

Best regards,


**NBS Government Finance Group,  
DBA NBS**

**Lemon Grove Sanitation District**

  
\_\_\_\_\_  
Michael Rentner

\_\_\_\_\_  
Name

President and CEO  
\_\_\_\_\_  
Title

  
\_\_\_\_\_  
Date

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

